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Consolidated
DIVERSIFIED STANDARD SECURITIES
Limited

48th ANNUAL REPORT

Your directors are pleased to report a substantial increase in assets and income for their first full year of administration since change of control in August of 1978.

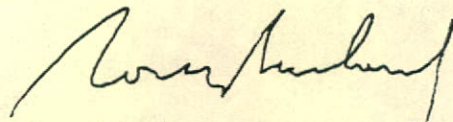
This increase is due to a buoyant Canadian stock market, as well as a new policy of selling "covered options". The portfolio of the Company is now 10% in bonds, 10% in loans and mortgages and 80% in Canadian common stocks on which options may be transacted.

A dividend of \$2.50 was declared and paid on the first preferred shares.

Your directors have decided to pay no dividend on the common stock until the second preferred stock issued in 1978 as a stock dividend on the common, is redeemed, hopefully in a few years time.

The first preference shares and the class "A" common shares are listed on the Montreal Stock Exchange.

Respectfully submitted,



President

DIRECTORS AND OFFICERS

ROCH BEDARD
President

GAMELIN P. VADEBONCOEUR

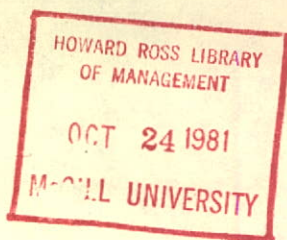
PIERRE BEDARD

GASTON N. MERCIER, C.A.
Vice-President

MARCEL BALLARD

MARCEL ARSENAULT
Secretary-Treasurer

MAY 1980



Lebeau & Martin

Lebeau & Martin

Comptables
agréés

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AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Consolidated Diversified Standard Securities Limited as at December 31, 1979 and the consolidated statements of earnings, unrealized profit (loss) on investments, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Lebeau & Martin

CHARTERED ACCOUNTANTS

Montreal,
April 17, 1980.

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
CONSOLIDATED STATEMENT OF EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1979

	<u>1979</u>	<u>1978</u>
INCOME		
Dividends	\$ 32,680	\$ 36,283
Interest	18,351	17,969
Sales of options	77,281	45,027
Sundry and exchange	17,264	292
	<u>145,576</u>	<u>99,571</u>
EXPENSES		
Director's fees	600	670
Salaries, executive remuneration and management fees	14,900	31,067
Travelling and automobile expenses	---	1,653
Legal, audit and accounting fees	5,422	8,835
Office and general	7,415	14,428
Interest, exchange and bank charges	5,358	18,414
Depreciation	186	136
	<u>33,881</u>	<u>75,203</u>
	111,695	24,368
Loss on sale of investments	(13,475)	(16,852)
Earnings before income taxes	98,220	7,516
Income taxes (recovery)	7,375	(2,319)
EARNINGS, before extraordinary loss	90,845	9,835
Extraordinary loss on disposition of long term investment	125,722	---
NET EARNINGS (LOSS) FOR THE YEAR	<u>\$ (34,877)</u>	<u>\$ 9,835</u>
EARNINGS PER CLASS "A" AND "B" SHARE, before extraordinary loss and after dividend on first preference shares	<u>25.7¢</u>	<u>----</u>
LOSS PAR CLASS "A" AND "B" SHARE, after extraordinary loss and dividend on first preference shares	<u>(21.7¢)</u>	<u>(4.9¢)</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1979

	<u>1979</u>	<u>1978</u>
BALANCE - BEGINNING OF YEAR	\$ 583,178	\$ 860,871
Net earnings (loss) for the year	<u>(34,877)</u>	<u>9,835</u>
	548,301	870,706
Dividends		
First preference shares	22,651	22,688
Common shares - Note 2	<u>---</u>	<u>264,840</u>
	22,651	287,528
BALANCE - END OF YEAR	<u>\$ 525,650</u>	<u>\$ 583,178</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
CONSOLIDATED STATEMENT OF UNREALIZED PROFIT (LOSS) ON INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 1979

	<u>1979</u>	<u>1978</u>
BALANCE - BEGINNING OF YEAR	\$ (47,014)	\$ (177,311)
Net change during the year	<u>201,445</u>	<u>130,297</u>
BALANCE - END OF YEAR	<u>\$ 154,431</u>	<u>\$ (47,014)</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1979

	<u>1979</u>	<u>1978</u>
SOURCE OF WORKING CAPITAL		
Net earnings for the year	\$ ---	\$ 9,835
Charges not requiring an outlay of funds	<u>---</u>	<u>136</u>
	---	9,971
Net disposition of long term investment	166,000	---
Sale of fixed assets	---	4,577
Decrease in unrealized loss on investments	<u>201,445</u>	<u>130,297</u>
	<u>367,445</u>	<u>144,845</u>
APPLICATION OF WORKING CAPITAL		
Net loss for the year	34,877	---
Charges not requiring an outlay of funds	<u>186</u>	<u>---</u>
	34,691	---
Mortgage loans and loans receivable	38,944	17,052
Dividends	22,651	22,688
Purchase of shares	<u>664</u>	<u>---</u>
	<u>96,950</u>	<u>39,740</u>
INCREASE IN WORKING CAPITAL	270,495	105,105
WORKING CAPITAL - BEGINNING OF YEAR	<u>522,383</u>	<u>417,278</u>
WORKING CAPITAL - END OF YEAR	<u>\$ 792,878</u>	<u>\$ 522,383</u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1979

1- SIGNIFICANT ACCOUNTING POLICIES

(A) Principle of consolidation

The consolidated financial statements include the accounts of the parent company and its subsidiaries:

Central Loan & Mortgage Co.
- Period of 13 months ended December 31, 1979

Alco Securities Corporation Ltd.
- year ended December 31, 1979

and the parent company's share of their aggregate earnings from the dates of acquisition.

(B) Marketable securities

The company carries its marketable securities at market value, which is determined by valuing each investment security at the latest sale price thereof reported by the principal securities exchange on which the issue is traded.

(C) Investment transactions and income

Investment transactions are accounted for on the settlement date. Income is recorded as follows:

Interest - accrued to year end
Dividends - per date of record

Realized gains and losses from investment transactions are calculated on an average cost basis.

(D) Foreign exchange

Items in foreign currencies have been translated into Canadian dollars on the following basis:

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1979

SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- i) Market value of investments securities, current assets and liabilities at the rate of exchange prevailing at December 31.
- ii) Purchases and sales of investment securities at the rate of exchange prevailing on the respective dates of such transactions.
- iii) Income and expenses at the average rate of exchange prevailing during the year.

2- CAPITAL STOCK

Authorized

19,083	10/25 \$2.50 non-cumulative first preference shares of no par value, redeemable at \$50 per share
275,000	8% non-cumulative redeemable second preference shares of a par value of \$1 per share
275,000	8% non-cumulative redeemable third preference shares of a par value of \$1 per share
1,000,000	class "A" common shares of no par value
112,500	class "B" common shares of no par value

Issued and fully paid

12,000	first preference shares	)		
152,340	39/40 class "A" common shares	)	\$ 58,395	\$ 58,395
112,500	class "B" common shares	)		
264,840	second preference shares		<u>264,840</u>	<u>264,840</u>
			\$ 323,235	\$ 323,235
			<u><u> </u></u>	<u><u> </u></u>

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1979

3- INCOME TAXES

The company and its subsidiaries have losses for tax purposes amounting to \$100,581 which are available for application against future years taxable income as follows:

<u>Amount</u>	<u>Available to</u>
\$ 876	1980
22,517	1981
66,295	1982
<u>10,893</u>	1983
 \$ 100,581	
<u><u> </u></u>	

4- COMMITMENTS

Stocks options

The Company is committed, under stock options to:

- i) Sell marketable securities with a market value of \$888,837 for an amount of \$725,510 should the options be exercised.
- ii) Buy marketable securities for an amount of \$67,500 should the options be exercised.

5- RETAINED EARNINGS

The consolidated retained earnings include an amount of \$77,000 set aside from the retained earnings of Alco Securities Corporation Limited which is equal to the par value of preferred shares issued and redeemed by that company in prior years.

6- STATUTORY INFORMATION

	<u>1979</u>	<u>1978</u>
Number of directors	6	6
Directors fees	\$ 600	\$ 670
Number of officers	5	5
Management fee and expenses	\$ 14,900	\$ 27,227
Number of officers who were also directors	5	5

CONSOLIDATED DIVERSIFIED STANDARD SECURITIES LIMITED
SCHEDULE OF INVESTMENTS
DECEMBER 31, 1979

	<u>COST</u>	<u>MARKET VALUE</u>
BONDS		
MUNICIPALITY AND SCHOOL BOARD		
Cap Santé, 9.5%, June 80	\$ 5,022	\$ 4,925
Chicoutimi, 9.5%, June 80	2,009	1,970
Longueuil, 9.5%, June 80	5,023	4,925
Rockforest, 9.5%, June 80	5,022	4,925
Montreal Island Council, 10½%, April 98	12,000	9,960
OTHERS		
Consolidated Bathurst Inc., 11%, March 95	18,360	17,280
Costain Ltd., 11 3/8%, November 98	35,000	30,450
Doman Industries Ltd., 10½%, December 97	4,900	4,300
Nu-West Development, 11½%, May 99	15,000	13,050
McLaughlin (S.B.) Ass. Ltd., 11½%, December 85	4,938	4,719
	<u>107,274</u>	<u>96,504</u>
SHARES		
1,800 Abitibi Price Inc.	31,317	34,425
2,000 Alcan Aluminium Ltd.	84,030	109,250
140 Anglo Permanent Corp (A & B)	75	---
1,000 Brascan Ltd.	18,234	22,000
1,600 Consolidated Bathurst Inc.	21,337	22,800
2,000 Consumers' Gaz Co. (The)	48,417	54,000
2,000 Dome Petroleum Ltd.	100,110	108,500
5,000 Inco Limited	123,327	137,500
3,500 Interprovincial Pipe-Line Ltd.	61,996	67,812
2,000 John Labatt Ltd.	41,430	44,250
500 MacMillan Bloedel Ltd.	11,557	13,500
5,600 Noranda Mines Ltd.	89,707	125,300
4,000 Norcen Energy Res. Ltd.	70,099	127,500
	<u>701,636</u>	<u>866,837</u>
TOTAL	<u>\$ 808,910</u>	<u>\$ 963,341</u>